

THE EFFECT OF LIQUIDITY, GOOD CORPORATE GOVERNANCE, AND COMPANY SIZE ON COMPANY'S FINANCIAL PERFORMANCE (STUDY IN THE PANDEMIC TIME OF COVID-19)

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ABSTRACT

The purpose of this study is to determine and analyzed the impact of pandemic time of covid 19 to financial performance of company that can be analysed from 3 variable independent, such as: liquidity, good corporate governance, and company size. The research is in companies that listed in Indonesian Stock Exchange (IDX) during pandemic time of covid 19. The sampling technique used purposive sampling and the type of data uses is quantitative with regression analysis method. Based on the test results, it is concluded that institutional ownership has a significant effect on the company's financial performance. Besides having its own meaning, this research also has its own limitations. First, analysis only for Indonesia area (because researcher only took the sample only from companies that listed in IDX). If the sample of companies increases and different countries will give different result and analysis. Second, this research only analyzed the impact during second quarter during pandemic time, if time is extended for one year, will be give different result and supposed to be if the time extended, the result will give more implications. The research implication are as follows: For all high level management in companies, to strengthen decision making during pandemic time of covid 19 should be check and analyzed the financial statement of companies and can give more valuable interpretations analysis for all the user of financial statement.

Keywords : Return on Assets, Current Ratio, Managerial Ownership, Board of Commissioners, Independent Commissioner, Firm Size, Corporate Governance

PROEM

Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), better known as the Corona virus, is a new type of coronavirus that can be transmitted. Corona Virus infection which is often called COVID-19 (Corona Virus Disease 2019) was first discovered in the city of Wuhan, China at the end of December 2019. This virus then

spread rapidly to various countries, one of which is Indonesia. Right on March 2, 2020, Indonesia reported the first case of Corona, and then the number has continued to grow until now, so that Indonesia implemented a Large-Scale Social Restriction (LSSR) policy.

According to kemenkes.go.id, up to August 11, 2020, there had been a total of 127,083 positive confirmed cases, where for 1 day, namely August 11, 2020 there were 1,687 additional new cases. The development of the Corona Virus case in Indonesia which then caused the government to adopt the LSSR policy also had an impact on the economic and industrial sectors. According to data from the Indonesia Stock Exchange (IDX), as of August 7, 2020, there were 3 issuers marked with a special notation B, namely COWL, PT Global Mediacom Tbk (BMTR), and PT Golden Plantation Tbk (GOLL). The special notation B explains that the issuer has a request for a bankruptcy statement. The Executive Director of the Indonesian Listed Companies Association (AEI) Samsul Hidayat explained that the rampant bankruptcy lawsuit surrounding issuers on the stock exchange cannot be separated from the Covid-19 pandemic (kontan.co.id, 2020).

Financial reports are a communication tool provided to users of accounting information for decision making. Financial reports can provide an overview of the condition of a company for readers of financial statements. In Statement of Financial Accounting Standards (FSA) 1 (Indonesian Institute of Accountants (IIA), 2014) financial statements are a structured presentation of the financial position and financial performance of an entity. FSA 1 (IIA, 2014) states that the financial statements divided into 5 types; income statement, retained earnings statement, statement of financial position, statement of cash flow where the content is present information about the entity which includes assets, liabilities, equity, income and expenses including gains and losses, contributions from and distributions to owners in their capacity as owners, and cash flows.

In FSA number 1 (IIA, 2014) it is explained that the purpose of financial reports is to provide information about the financial position, financial performance and cash flow of an entity that is useful for the majority of report users in making economic decisions. The parties who use financial statements are divided into 2, namely internal and external parties. Based on the statements in FSA 1, it proves that financial statements have an

important role so that an examination of these financial statements is necessary. In Law of the Republic of Indonesia No. 40 of 2007 concerning Limited Liability Companies, it is stated that companies that have gone public are required to be examined by an independent auditor and a report on the results of the examination must be submitted in writing to the General Meeting of Shareholders (GMS) through the board of directors. Based on this Law, it can be concluded that the importance of a financial report to be audited based on the International Standards Audit 200 (ISA 200) is to increase the confidence of users of financial statements. This objective can be achieved if the auditor succeeds in providing an appropriate opinion whether the financial statements have been presented correctly and without material misstatement.

The closing of a series of management functions is supervision, where organizational performance is assessed, measured, and compared with predetermined plans, targets or objectives (Indrajit, 2013). Company performance is a description of the financial condition of a company which is analyzed with financial analysis tools, so that it can be seen about the good and bad financial condition of a company that reflects work performance in a certain period (Robbiyansyah, 2016). Company performance, one of which can be measured from the company's financial statements, can show the company's ability to provide benefits from managing assets, equity and debt that exist in the company. Company performance is the main thing in achieving company targets and can increase returns for shareholders (Melvina, 2012).

Company performance in this study is measured using Return On Assets (ROA). The ROA ratio is often used by management to measure the performance of a company and assess operational performance in utilizing the resources owned by the company (Kaustar, 2015).

Liquidity is one of the factors that can affect company performance. The liquidity of a company shows the company's ability to finance its operational activities and pay its short-term obligations using current assets owned by the company (Utama, 2014). Liquidity in this study is measured using the Current Ratio (CR). A high CR indicates that the company is able to pay its debts using its current assets. The higher the CR, it shows that the company's current assets are high (positive net working capital) which can be used to generate profits. Increased income with an efficient load balance can

increase the value of ROA. Utama (2014) states that the current ratio has a significant effect on ROA. However, Fitri (2016) states that the current ratio has no effect on ROA.

Another supporting factor in order to maximize company performance is the implementation of Good Corporate Governance (GCG) (Melvina, 2012). In this study, the implementation of GCG was measured by managerial ownership, board of commissioners and independent commissioners. Managerial Ownership is share ownership that owned by company management as measured by the percentage of the number of shares owned by management (Kaustar, 2015). The existence of managerial ownership in the company will align the interests of managers with shareholders, so that managers can directly benefit from the decisions taken (Lestari, 2013). With the right decisions from management in managing assets (company resources) optimally can generate revenue for the company. High income can cause a high ROA value.

According to Law no. 40 of 2007 concerning Limited Liability Companies, the board of commissioners is a company organ that is tasked with conducting general and / or specific supervision in accordance with the articles of association and providing advice to the board of directors. With the supervision of the board of commissioners on management performance it can reduce fraud and opportunistic management behavior. Thus, managers will try to improve the efficiency of using company resources to generate revenue for the company. With high income and balanced with efficient expenses, it will produce high profits which will cause a high ROA.

According to Law no. 40 of 2007 the company's articles of association can regulate there are 1 (or more independent commissioners). Independent commissioner according to Law no. 40 of 2007 concerning Limited Liability Companies is a member of the board of commissioners who has no financial relationship, management relationship, share ownership relationship, and / or other family relationship with other members of the board of commissioners, directors and / or controlling shareholder or relationship with the bank, which may affect the ability to act independently. With the existence of an independent commissioner, the board of directors will be more careful in acting and making decisions, so that the board of directors will be more careful in managing company resources to be optimal. When assets can be used for the benefit of the company, it is expected to generate income for the company. With high income

balanced with efficient expenses, it will provide high profits for the company so that it will increase the ROA of the company.

Company size can also be one of the factors that can affect company performance. The size of a large company has better market access than a small company and has a larger operational activity, so it is possible to generate greater profits which can improve company performance (Purnomosidi, 2014). Large companies have more resources than small companies so that the resources owned by large companies will help companies in their operations to get high income. With high income and efficient use of expenses, it will provide high profits for the company which will increase the value of ROA.

THEORETIC

Agency Theory

Agency theory explains the relationship between the principal (shareholder) and the agent (management) (Widagdo, 2014). Agency theory or agency theory according to Jensen and Meckling (1976) in Godfrey et. al (2010) is a relationship that arises where there is a contract between the principal who employs another party, namely an agent to represent the principal in the duty to operate the company. In this contract, the principal delegates and gives authority to the agent to make several decisions. When the principal employs an agent to operate the company, the principal expects the agent to act in accordance with the principal's interests in operating the company and generating profits for the principal. Under certain conditions the agent will take advantage of the authority they have not to act in the interests of the principal but to act for their own benefit (Godfrey et. Al, 2010). Thus, in a company there are two different interests.

Fianancial Statements

According to the Indonesian Institute of Accountants (IIA) (2017) in Statement of Financial Accounting Standards (FSA) 1, financial statements are a structured presentation of the financial position and financial performance of an entity. IIA (2017) in FSA 1 concerning the presentation of financial statements stipulates that the bases for the presentation of financial statements specifically govern:

1. Overall considerations for the presentation of financial statements
2. Guidance on the structure of financial statements
3. Minimum requirements for the content of financial statements

According to FSA 1 (IIA, 2014) the purpose of financial statements is to provide an entity's financial position, performance and cash flow that is useful for various users of reports in making economic decisions. FSA 1 (IIA, 2014) provides that complete financial statements must include the following components:

1. Statement of financial position (balance sheet) at the end of the period
2. Comprehensive income statement
3. Report of changes in equity
4. Cash flow statement
5. Accounting policies and notes to financial statements

The findings above confirm that culture is an external factor that has a huge influence on the pattern of attitudes and work behavior of an employee. If the culture that is built tends to be bad, it will become a snowball to the next generation, which is to behave badly.

Company Performance

According to the Big Indonesian Dictionary, performance can be interpreted as something that can be achieved, achievement, which is demonstrated and the ability to work, to perform means being able to use labor. Company performance is a description of the financial condition of a company which is analyzed with financial analysis tools, so that it can be seen about the good and bad financial condition of a company that reflects work performance in a certain period (Robbiyansyah, 2016).

Current Ratio

Current Ratio is one of the liquidity ratios, which is a ratio that aims to measure the ability of a company to meet its short-term obligations by utilizing current assets (Anggraeni, 2015). Current ratio shows the extent to which current assets are able to cover current liabilities.

Good Corporate Governance

GCG (The Indonesian Institute for Corporate Governance) defines the concept of Corporate Governance as a series of mechanisms to direct and control a company so that the company's operations run according to the expectations of stakeholders (Bukhori, 2012). According to the general guidelines for Good Corporate Governance issued by the KNKG (2006). There are 5 principles in GCG, namely (1) transparency (2) accountability (3) responsibility (4) independence (5) fairness and equality.

Managerial Ownership

Managerial ownership is a condition where the manager owns the company's shares or in other words, the manager is also the shareholder of the company (Tarigan, 2013). According to Suratna (2005) in Kaustar (2015), managerial ownership is a good corporate governance mechanism because managerial ownership can limit the opportunistic behavior of managers in the form of earnings management which can harm the interests of other parties.

Board of Commissioners

Based on Law No.40 of 2007 on limited liability companies, the board of commissioners is an important organ of the company that carries out special oversight and provides advice to the board of directors. Bukhori (2013) also states that the board of commissioners is in charge of supervising and providing input to the board of directors of the company. The board of commissioners does not have direct authority over the company. The function of the board of commissioners is to oversee the completeness and quality of financial statement information on the performance of the board of directors.

Independent Commissioners

According to Law no. 40 of 2007, the company's articles of association make the regulation for the existence of 1 (one) or more Independent Commissioners. An independent commissioner (Law No. 40 of 2007 on Limited Liability Companies) is a part of the commissioner who has no financial interest, relationship with management, share ownership or family relationship with members of the commissioner and director. The IDX requires issuers to have independent commissioners of at least 30% of the board of commissioners.

Firm Size

Company size can be grouped into three types, namely small companies, medium companies and large companies. Based on the Regulation of the Minister of Trade of the Republic of Indonesia No. 46 / M-DAG / PER / 9/2009 concerning amendments to the regulation of the Minister of Trade of the Republic of Indonesia No. 36 / M-DAG / PER / 9/2007 concerning the issuance of trading business permits, article 3 classifies company sizes as follows: Small companies, namely companies that have assets of more than Rp.50,000,000, - (fifty million rupiah) up to a maximum of Rp. 500,000,000.

Medium companies, namely companies that have assets of more than Rp.500,000,000, - up to a maximum of Rp.10,000,000,000. Large companies, namely companies that have assets of more than Rp.10,000,000,000. Company size in this study is proxied by using the natural logarithm of total assets.

METHOD

This study uses a causal study method. Causal study is research conducted to establish a causal relationship between two or more variables (Sekaran and Bougie, 2013). The object of this research is a company listed on the Indonesia Stock Exchange. The financial reports studied are reports published during the Covid-19 pandemic.

The data used in this study is secondary data, namely data obtained indirectly from the source or object of the researcher, which uses intermediary media obtained from other parties. Types of data in this study is secondary data.

The data used in this study is secondary data, namely data obtained indirectly from the source or object of the researcher, which uses intermediary media obtained from other parties. Data that needed in this study is financial statements of company that listed on Indonesia Stock Exchange during Covid-19. The sample criteria determined by the researcher are as follows:

1. Companies listed consecutively on the Indonesia Stock Exchange during the Covid-19 pandemic.
2. The company has published annual reports and financial reports during the Covid-19 pandemic
3. Using the rupiah currency.
4. The company has managerial ownership in its share ownership.

RESULT

Normality Test

For normality test, the researcher on this study used Kolmogorov-Smirnov Test. In this study, the result of Asymp Sign (2-tailed) is 0,920 where it is above 0,5. So that, this research can be said to have passed the test.

Table 1.Hypothesis Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.017	.095		.180	.859
CR	-.001	.001	-.271	-1.769	.086
KM	-.025	.028	-.145	-.892	.379
DK	-8.602E-5	.004	-.005	-.024	.981
KI	.184	.052	.568	3.514	.001
UP	-.002	.004	-.101	-.472	.640

Source: Research data, 2021

From table above, the result shows that current ratio, managerial ownership, board of commissioner, and company size don't have effect to return on asset. Institutional ownership have significant effect to return on asset. In this pandemic session, the company's performance will be still can perform well if they have institutional ownership. So that, in decision making for company's strategy can get opinion and contribution from institutional side.

CONCLUSION

In this pandemic session, the company's performance will be still can perform well if they have institutional ownership. So that, in decision making for company's strategy can get opinion and contribution from institutional side. If in this pandemic session, institutional increase that can be make the return on asset increase too.

This study only analyzes the financial statements of all companies listed on the IDX without distinguishing the industry. Meanwhile, during the pandemic, there were several industries that experienced a decline in financial performance, but there should also be some industries that experienced an increase, such as the health industry.

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